



BONANZA INTERNATIONAL PETROLEUMS LTD.

1973 ANNUAL REPORT

head office

1800 Daon Building
444 - 5th Ave. S.W.
Calgary, Alberta T2P 2T8

exploration office

304 Town and Country Office Park
10555 Katy Freeway
Houston, Texas 77024

subsidiary companies

Bonanza Petroleums (U.K.) Ltd.
Bonanza Petroleums (Espana) Ltd.

transfer agent

Montreal Trust Company

bankers

Canadian Imperial Bank of Commerce
First City National Bank of Houston

auditors

Riddell, Stead

solicitors

Macleod, Dixon

stock exchange listing

Toronto Stock Exchange
(Trading Symbol BIP)



directors and officers

David G. Ferguson

Chairman of the Board and Director
Calgary, Alberta

John J. Fleming

President and Director
Calgary, Alberta

William A. Bell

Secretary-Treasurer and Director
Calgary, Alberta

Seymour Schulich

Director
Montreal, Quebec

John L. Lyndon

Director
Toronto, Ontario

1973 highlights

Sold 640,000 treasury shares in a public offering realizing \$1,196,948.

Drilled four successful oil wells in the St. Martinville area of South Louisiana.

Current production being sold for \$10.25 per barrel.

annual meeting

The annual meeting of the shareholders will be held on Saturday, March 30, 1974, at the International Hotel in Calgary.

report to the shareholders:

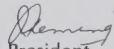
It is a pleasure to present the first annual report to the shareholders. During April, 1973, a total of 640,000 new treasury shares of the company (representing 26.2% of the total outstanding) were sold in a public offering which realized \$1,196,948. These funds were raised for the express purpose of conducting oil and gas exploration outside of Canada.

The management of the company was of the view that the energy shortage in the United States would present an economic and political climate that would be attractive to an exploration company such as yours. As a result an exploration office was opened in Houston, Texas, and senior exploration personnel were retained on a full-time basis.

Since the public offering in early 1973, the company has, with an expenditure of approximately \$900,000., developed substantial reserves. The initial daily oil production in excess of 300 barrels per day will provide the cash flow necessary for the company to actively initiate and drill development and wildcat prospects in Louisiana and to expand its participation in oil and gas exploration ventures in other parts of the world.

On behalf of all shareholders of the Company, the Board of Directors wish to express their appreciation to Mr. John L. Lyndon who has made an outstanding contribution as a director during the past year. Mr. Lyndon has accepted a senior position with the Government of the Province of Alberta and accordingly, is not in a position to stand for re-election.

Respectfully submitted on
Behalf of the Board of Directors,


President John J. Fleming

*Bonanza International Stockstill #1
Production Tested 260 b/d.*



EXPLORATION

south louisiana

The company decided to concentrate its initial exploration efforts in South Louisiana rather than in Canada for a number of reasons:

a) The Dynamics of Louisiana as an oil and gas region — Statistics released by the reserves committees of API and the American Gas Association, indicated that as of January 1, 1973, South Louisiana contained 26.9% of total U.S. proven gas reserves and 15.8% of proven crude and gas liquids reserves. During 1972, 1,257 onshore wells were completed in South Louisiana, a 3% increase over 1971, and of those completed 56% were successful. Exploratory wells totalled 604, of which 132 or 22% were successful.

b) Oil and Gas prices — High gravity crude is currently commanding a price of \$10.25 per barrel and new natural gas sells for up to \$1.00 per thousand cubic feet as opposed to \$4.00 per barrel and 26c per thousand cubic feet in Canada.

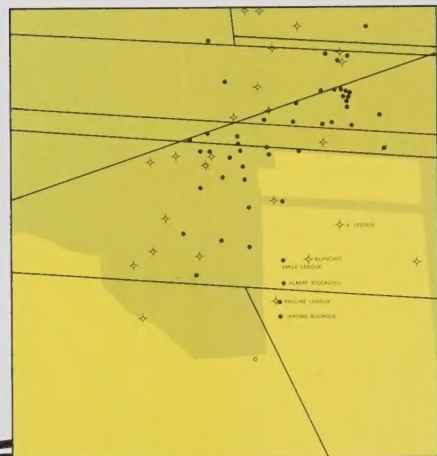
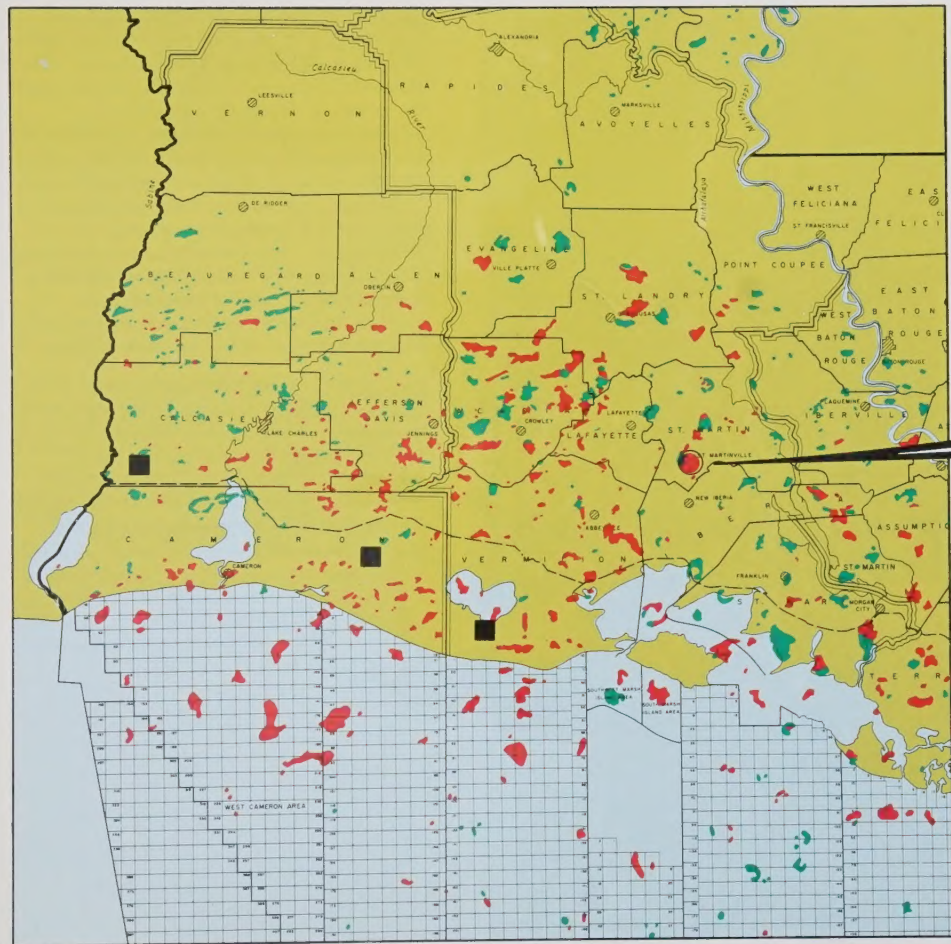
c) Marketability — South Louisiana has a myriad of pipelines which unlike Canada allows almost immediate revenue to be realized from discoveries.

d) Financing of Development — Utility prepayments and bank financing are more readily available and offer much superior terms to those available in Canada.

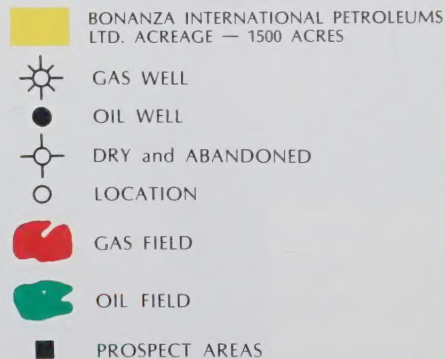
e) Availability of Land — Since the annual rental of land is equal to the initial bonus, it is too expensive even for major companies to carry a large inactive inventory of land. Hence if a drilling prospect can be initiated, the chances are good that the necessary land can be acquired.

st. martinville

The St. Martinville prospect encompassing approximately 1,500 acres is owned 100% by the company. The initial well drilled on this prospect, Jerome Bourque #1, was an oil discovery and has since been followed up by three successful oil wells; namely, Stockstill #1, Pauline Ledoux #1 and Emile Ledoux #1. The latter two wells were drilled subsequent to September 30, 1973. All production and pipeline facilities have now been completed and production from the four wells is expected to average 300 - 400 barrels per day commencing in January, 1974. It is anticipated that an additional 5 - 10 wells will be drilled on this prospect during 1974 and that such drilling will add substantially to the company's proven and probable reserves presently estimated by company engineers to be 2,200,000 barrels.



ST. MARTINVILLE FIELD South Louisiana





The company will also be drilling an 11,000' miocene test on the southern portion of the St. Martinville prospect. The wildcat test well, Bonanza International Labbe #1, will evaluate the 8,000' sand series for potential oil pay which was present to the north in the initial wells drilled and will also test the 9,000' and 10,000' sand series for gas condensate from a large open fault block to the south. These lower sands which have never been tested in this area are productive on the north and west side of the St. Martinville producing area and have yielded substantial gas condensate production. It is anticipated that this well will be drilled during the first quarter of 1974.

In addition to further drilling on the St. Martinville prospect, the company plans to participate in a minimum of five wildcat drilling prospects in other parts of South Louisiana. The lands for such prospects are presently being negotiated and it is anticipated that the first well will be drilled during the first quarter of 1974.

OTHER FOREIGN EXPLORATION

onshore united kingdom

The company has obtained a nine percent working interest in Production Licence #159 in Dorsetshire, South West England, which contains 108,971 acres, together with an option to earn a 10% working interest in Production Licence #158 covering an additional 106,000 acres. The company's actual interest transfer is subject to the Department of Trade and Commerce approval.

The initial test well, Cangeo Warner et al Marshwood No. 1, on the Marshwood Anticline was abandoned at 6,228'. The information obtained in the drilling of this well is presently being evaluated to determine the program to be followed in further evaluating these lands.

The information determined from this program should place the company and its partners in a strong position to apply for the adjoining offshore oil and gas rights that are expected to be posted during 1974.



haiti

The company holds a 10% working interest in a 21.3 million concession both onshore and offshore Haiti. A seismic program is presently being conducted in the Gonave channel area and the results of such survey, expected during February, 1974, will determine the extent to which further detailed seismic and geological exploratory work will be carried out.

gabon

The company holds a 25% interest in 247,000 acres offshore Gabon, West Africa. The permit is located twenty-five miles west of Libreville and fifty miles north of the Port Gentil offshore oil fields.

A detailed geophysical survey was conducted by Western Geophysical to delineate the structures indicated in the previous reconnaissance survey. The processed sections have been completed and the final interpretation will be completed during the early part of 1974.

The presence of Salt intrusive structures and structural anomalies compares favourably to similar geological conditions in the Port Gentil offshore oil fields. Recent oil discoveries in the Nigerian delta north of the company's acreage and in the Port Gentil area to the south serve to substantially enhance the value of the company's acreage position.

bangladesh

(formerly East Pakistan)

The company with a 15% interest has joined a consortium comprised of Canadian independent oil companies in applying for offshore concessions recently offered by this country. Awards will probably be made during the early part of 1974.

The company expects to become more active in originating foreign exploration ventures during 1974.

FINANCIAL

During the year the company realized \$1,196,948 on the sale of 640,000 treasury shares in a public offering. The company also realized \$212,312 on additional advances from its parent company, Canadian Bonanza Petroleum Ltd. The company incurred \$881,695 in exploration and drilling costs and had \$528,068 in working capital as at September 30, 1973.

Revenue from sale of oil and gas of \$20,889 represents sales from one well for two months. The additional two wells did not produce prior to September 30, 1973. The net cash flow from the company's existing producing oil wells should exceed \$600,000 during the year ended September, 1974.

Subsequent to September 30, 1973, the company issued warrants to all shareholders evidencing the right to subscribe for one additional share of the company for each four shares held on December 10, 1973, the record date, at the price of \$2.60 per share. The net proceeds realized by the company was \$1,571,843 on the issuance of new treasury shares. Such proceeds will be used to repay the indebtedness of \$612,547 to Canadian Bonanza Petroleum Ltd. and the balance will be used in the company's exploration and development activities.

auditors' report

To the Shareholders
Bonanza International Petroleum Ltd.

We have examined the consolidated balance sheet of Bonanza International Petroleum Ltd. and its subsidiary as at September 30, 1973 and the consolidated statements of earnings and deficit and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1973 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
November 7, 1973

RIDDELL, STEAD & CO.
Chartered Accountants

consolidated statement of earnings and deficit

for the year ended september 30, 1973 (note 1)

REVENUE		
Oil and gas		\$20,889
Interest		27,308
		<u>48,197</u>
EXPENSES		
Operating		1,155
General and administrative		18,992
Interest		27,547
		<u>47,694</u>
CASH GENERATED FROM OPERATIONS		<u>503</u>
Depletion and depreciation		4,943
Unproductive exploration costs		17,509
		<u>22,452</u>
LOSS FOR THE YEAR, BEING DEFICIT AT SEPTEMBER 30, 1973		<u>\$21,949</u>
LOSS PER SHARE, based on average number of shares outstanding		<u>\$.01</u>

consolidated statement of source and use of funds

for the year ended september 30, 1973

	1973	1972
SOURCE OF FUNDS		
From operations (Note 1)	\$ 503	\$ —
Advances from parent company	212,312	431,700
Issue of shares, net of share issue expenses (Note 3)	1,196,948	—
	<u>1,409,763</u>	<u>431,700</u>
USE OF FUNDS		
Fixed asset additions	881,695	430,432
INCREASE IN WORKING CAPITAL	<u>\$ 528,068</u>	<u>\$ 1,268</u>

consolidated balance sheet

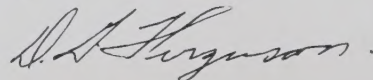
as at september 30, 1973

	ASSETS	1973	1972
CURRENT ASSETS			
Cash and short-term deposits		\$ 693,777	\$ 1,269
Accounts receivable		6,999	—
		<u>700,776</u>	<u>1,269</u>
FIXED ASSETS (Note 2)			
Petroleum and natural gas leases and rights together with exploration, development and equipment thereon, at cost		1,294,618	430,432
Accumulated depletion and depreciation		4,943	—
		<u>1,289,675</u>	<u>430,432</u>
		<u>\$1,990,451</u>	<u>\$431,701</u>
	LIABILITIES		
CURRENT LIABILITIES			
Accounts payable		\$ 171,439	\$ —
DUE TO PARENT COMPANY — Canadian Bonanza Petroleum Ltd. 6¼% note payable April 30, 1975, including interest		612,547	431,700
Other advances		31,465	—
		<u>644,012</u>	<u>431,700</u>
	SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 3)			
Authorized 6,000,000 shares without nominal or par value			
Issued 2,440,000 (1972 — 2) shares		1,196,949	1
DEFICIT		(21,949)	—
		<u>1,175,000</u>	<u>1</u>
Signed on behalf of the Board:		<u>\$1,990,451</u>	<u>\$431,701</u>

Director



Director



**notes to 1973
consolidated financial
statements**

NOTE 1 ACTIVITIES OF COMPANY

Prior to October 1, 1972 Bonanza International Petroleum Ltd. (the Company) had no revenues and all costs were capitalized (see Note 2 below).

NOTE 2 ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Bonanza Petroleum (Espana) Ltd., since its inception on January 2, 1973.

(b) Oil and Gas Operations

The Company follows the full cost method of accounting for costs related to the exploration and development of petroleum and natural gas properties. Such costs are accumulated on an area of interest basis and are amortized on the unit of production method based on estimated recoverable quantities of oil and gas in each area of interest or are written off to income if exploration activities in the area prove unsuccessful.

NOTE 3 CAPITAL STOCK

During the year the Company sub-divided the 2 issued shares into 1,800,000 shares and sold 640,000 shares for \$1,196,948 cash, net of share issue expenses of \$45,052.

As of September 30, 1973 officers and employees held options granted under an incentive stock option plan to purchase 60,000 shares of the Company at prices ranging from \$2.10 to \$2.75 per share, exercisable from time to time to April, 1979.

NOTE 4 DIRECTORS' AND SENIOR OFFICERS' REMUNERATION

Remuneration to directors and senior officers for the year ended September 30, 1973 amounted to \$30,000.

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